KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

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for the year ended 30 June 2015

GENERAL INFORMATION

MAYOR / SPEAKER

Cllr. Vuso MS

OTHER MEMBERS OF THE COUNCIL

Cllr. Goni P
Cllr. Jacobs S
Cllr. Jantjies B
Cllr. Krige R
Cllr. Mntambo N
Cllr. Smith K
Cllr. Nelson L
Cllr. Pottie N
Cllr. Rheeders C
Cllr. Strydom F

ADDRESS OF THE KOU-KAMMA LOCAL MUNICIPALITY

5 Keet Street	Private Bag X11
Kareedouw	Kareedouw
3170	3170

GRADING OF THE LOCAL AUTHORITY

Grade 1

EXTERNAL AUDITORS

Office of the Auditor General (East London)
69 Frere Road
Vincent
East London

PRIMARY BANKER

ABSA Bank Ltd

Accounting Officer

Nkuhlu S

KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

GENERAL INFORMATION

CHIEF FINANCIAL OFFICER

Ms Nydine Venter
042 288 7208
071 141 0047
Nydine.venter@koukamma.gov.za

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 13 to 87, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

Nkuhlu S	Venter N
MUNICIPAL MANAGER	CHIEF FINANCIAL OFFICER
Date	*Date*

KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

MEMBERS OF THE COUNCIL

MAYOR / SPEAKER

Cllr. Vuso MS

COUNCILLORS

Cllr. Goni P
Cllr. Jacobs S
Cllr. Jantjies B
Cllr. Krige R
Cllr. Mntambo N
Cllr. Smith K
Cllr. Nelson L
Cllr. Pottie N
Cllr. Rheeders C
Cllr. Strydom F

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, 1996 read with the Remuneration of Public Office Bearers Act No.20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

Nkuhlu S
MUNICIPAL MANAGER

Date

MEMBERS OF THE COUNCIL

2014/15 Audit report

KOU-KAMMA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Note	2015 R	Restated '2014 R
ASSETS			
Current Assets		**22 883 550**	**25 875 980**
Inventories	**2**	328 368	762 427
Receivables from Exchange Transactions	**3**	7 923 074	5 491 872
Receivables from Non-exchange Transactions	**4**	14 392 976	8 979 536
VAT Receivable	**5**	0.00	2 290 373
Cash and Cash Equivalents	**6**	164 094	8 288 278
Operating Lease Receivables	**7**	75 038	63 494
Non-Current Assets		**327 260 995**	**318 365 638**
Property, Plant and Equipment	**8**	301 397 728	292 251 408
Intangible Assets	**9**	692 611	737 721
Investment Property	**10**	25 170 658	25 376 508
Total Assets		**350 144 546**	**344 241 618**
LIABILITIES			
Current Liabilities		**42 034 949**	**33 912 092**
Consumer Deposits	**11**	104 700	104 700
Current Portion of Long-term Liabilities	**14**	271 666	238 354
Provisions	**12**	1 316 855	984 531
Payables from Exchange Transactions	**13**	33 758 786	28 004 178
VAT Payable	**5**	780 154	
Payables from Non-exchange Transactions			
Unspent Conditional Grants and Receipts	**14**	5 802 788	4 580 329
Non-Current Liabilities		**4 025 736**	**3 261 101**
Long-term Liabilities			
Employee Benefit Liabilities	**15**	2 806 695	2 094 050
Non-current Provisions	**16**	1 219 040	1 167 051
Total Liabilities		**46 060 684**	**37 173 193**
Net Assets		**304 083 863**	**307 068 424**
NET ASSETS		**304 083 863**	**307 068 424**
Accumulated Surplus	**16**	304 083 863	307 068 424
Total Net Assets		**304 083 863**	**307 068 424**

KOU-KAMMA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

Description	Accumulated Surplus / (Deficit)	Total
	R	R
2014		
Balance at 30 June 2013	312 113 242	312 113 242
Correction of error: Opening balance (Refer to note 33.2)	**(1 102 000)**	**(1 102 000)**
	311 011 242	**311 011 242**
Operating lease asset (refer note 33.1)	63 494	63 494
(Deficit) for the year	(4 006 312)	(4 006 312)
Balance at 30 June 2014	**307 068 424**	**307 068 424**
2015		
Balance at 30 June 2014	**307 068 424**	**307 068 424**
Surplus for the year	(2 984 562)	(2 984 562)
Balance at 30 June 2015	**304 083 863**	**304 083 863**

KOU-KAMMA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015	Restated '2014
		R	R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	**17**	15 487 638	13 285 401
Fines		671 554	656 437
Income for Agency Services		1 491 722	-
Government Grants and Subsidies Received	**18**	81 727 673	95 740 215
Revenue from Exchange Transactions			
Service Charges	**19**	23 168 945	21 977 718
Rental of Facilities and Equipment	**20**	333 288	453 083
Interest Earned - External Investments	**21**	296 568	710 367
Interest Earned - Outstanding Debtors	**21**	5 554 337	-
Other Revenue	**22**	631 159	693 075
Licences and Permits		8 594	1 548 462
Gain on disposal of Property,Plant and Equipment		108 438	
Total Revenue		**129 479 916**	**135 064 758**
EXPENDITURE			
Employee Related Costs	**23**	(38 740 847)	(33 450 844)
Remuneration of Councillors	**24**	(2 900 839)	(2 768 281)
Depreciation and Amortisation	**25**	(19 495 404)	(18 907 196)
Bad debts		(19 637 706)	(10 331 914)
Repairs and Maintenance		(3 892 278)	(5 400 224)
Finance Costs	**26**	(649 622)	(346 188)
Bulk Purchases	**27**	(2 674 226)	(2 737 927)
Contracted Services	**28**	(3 351 468)	(2 845 180)
Grants and Subsidies Paid	**29**	(25 004 502)	(45 060 716)
General Expenses	**30**	(16 117 584)	(17 162 802)
Loss on Disposal of Property, Plant and Equipment		-	(59 798)
Total Expenditure		**(132 464 477)**	**(139 071 070)**
SURPLUS / (DEFICIT) FOR THE YEAR		**-2 984 562**	**(4 006 312)**

KOU-KAMMA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Note	Actual 2015 R	2013 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		39 328 136	35 919 556
Government Grant and Subsidies	**18**	81 727 673	95 740 215
Licence and permits		8 594	1 548 462
Interest Received	**21**	5 850 905	710 367
Other Receipts		2 564 608	1 146 158
Payments			
Payments to Suppliers and employees			
Employee Related Costs	**23**	(38 740 847)	(33 450 844)
Remuneration of Councillors	**24**	(2 900 839)	(2 768 281)
Interest Paid	**26**	(649 622)	(346 188)
Suppliers Paid		(43 796 312)	(67 793 126)
Other Payments		(24 686 024)	(2 845 179)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**31**	**18 706 271**	**5 802 955**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	**7**	(27 513 651)	(25 116 533)
Purchase of Intangible Assets	**8**	-	(352 570)
Proceeds on Disposal of Property, Plant and Equipment		683 196	325 339
Movement in unspent conditional grants assets		-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(26 830 455)**	**(25 143 764)**
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(8 124 184)**	**(19 340 809)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	6	**(8 124 184)**	**(19 340 809)**
Cash and Cash Equivalents at Beginning of Period		8 288 278	5 265 109
Cash and Cash Equivalents at End of Period		164 094	8 288 278

KOU-KAMMA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
as at 30 June 2015

Description	Original Budget	Budget Adjustments (i.e.. s28 & s31 Of The MFMA)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Variance percentage	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget	Notes
	R	R	R	R	R	R		R	R	
Financial Performance										
Property Rates	15 259 250	(408 500)	14 850 750	15 487 638	636 888	636 888	4%	104%	101%	
Service Charges	22 623 523	(1)	22 623 522	23 168 945	545 423	545 423	2%	102%	102%	
Rental of Facilities and Equipment	142 786	46 984	189 770	333 288	143 518	143 518	76%	176%	233%	**N1**
Investment Revenue	681 427	1	681 428	296 568		(384 860)	-56%	44%	44%	
Interest earned:outstanding debtors	-	3 501 026	3 501 026	5 554 337	2 053 311	2 053 311	59%	159%		**N2**
Fines	636 000	159 091	795 091	671 554		(123 537)	-16%	84%	106%	
Income for the agency fees	2 125 500	132 613	2 258 113	1 491 722		(766 391)	-34%	66%	70%	
Licences and Permits	7 245	427	7 672	8 594	922	922	12%	112%	119%	
Government grants and subsidies	59 053 000	12 730 745	71 783 745	81 727 673	9 943 928	9 943 928	14%	114%	138%	
Other Own Revenue	8 064 337	1 060 898	9 125 235	631 159		(8 494 076)	-93%	7%	8%	**N2**
Gain on disposal of asset	-	-	-	108 438		108 438				
Total Revenue (Excluding Capital Transfers & Contributions)	108 593 068	17 223 284	125 816 352	129 479 916	13 323 989	3 663 564	3%	103%	119%	
Employee Costs	34 146 544	957 178	35 103 722	38 740 847	3 637 125	3 637 125	10%	110%	113%	
Remuneration Of Councillors	2 907 169	(1)	2 907 168	2 900 839		(6 329)	0%	100%	100%	
Debt Impairment	9 313 423	1 081 490	10 394 913	19 637 706	9 242 793	9 242 793	89%	189%	211%	**N3**
Depreciation & Asset Impairment	4 205 000	16 874 039	21 079 039	19 495 404		(1 583 635)	-8%	92%	464%	**N3**
Finance Charges	50 245	134 755	185 000	649 622	464 622	464 622	251%	351%	1293%	**N4**
Materials & Bulk Purchases	3 076 284	(89 445)	2 986 839	2 674 226		(312 613)	-10%	90%	87%	
Repairs and Maintenance	1 178 654	232 468	1 411 122	3 892 278	2 481 156	2 481 156	176%	276%	330%	**N5**
Contracted Services	3 363 886	(128 417)	3 235 469	3 351 468	115 999	115 999	4%	104%	100%	
Transfers & Grants	17 511 583	12 610 056	30 121 639	25 004 502		(5 117 137)	-17%	83%	143%	
Other Expenditures	17 160 717	1 464 124	18 624 841	16 117 584		(2 507 257)	-13%	87%	94%	
Total Expenditure	92 913 504	33 136 248	126 049 752	132 464 477	15 941 695	6 414 725	5%	105%	143%	
Surplus/(Deficit)	**15 679 564**	**(15 912 964)**	**(233 400)**	**-2 984 562**	**(2 617 706)**	**(2 751 161)**	**1179%**	**1279%**	**-19%**	
Capital Expenditure	19 884 564	961 077	20 845 641	37 060 787		16 215 146	78%	178%	186%	

Notes and Legends:

N1 This amount is not considered to be material hence no further explanation is required.

N2 The municipality did not charge interest in the priior year, therefore a conservative approach was taken during the ajustments budget process.

N3 Due to the aging of debt considerations needed to be taken to impair these debtors.

N3 Due to the unbundling of assets in the current year the true value of depreciation was not known at the date of drafting the budget.

N3 The total amount provided exceeded the budgeted amount due to the non recoverability of long outstanding debt recalculated at year end.

N4 Higher than anticipated bank costs, the municipalit is in the process of negotiating for a decrease in fees.

N5 The budget is disclosed as part of the capital budget, however the work done, can be considered repairs and maintenance.

1. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) listed below including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 1.6 standards and interpretations effective and adopted in the current year.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below.

The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy on *Revenue from Exchange Transactions* and Accounting Policy on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 and GRAP 23. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate. At the time of initial recognition it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods or services will not occur, because the entity has an obligation to collect all revenue.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy on *Financial Assets Classification* and Accounting Policy on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments.*

1. 2. 3 Impairment of Financial Assets

Accounting Policy on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

This was performed per service-identifiable categories across all classes of debtors.

1. BASIS OF PRESENTATION (Continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (Continued)

1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy on *PPE - Impairment of assets* and Accounting Policy on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing, write down of Inventories to the lowest of Cost and Net Realisable Values (NRV) and whether assets should be written down to current replacement cost.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgement by management. During the year no impairments were made to PPE, intangible assets or inventory.

1. 2. 6 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs have been determined, which is then converted into volumes based on the total capacity of the reservoir.

1. 2. 7 Defined Benefit Plan Liabilities

The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the notes to the Annual Financial Statements.

1. 2. 8 Provisions and contingent liabilities

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. Additional disclosure of these estimates of provisions are included in Note 15 Provisions. A valuation report is prepared annually by the Province of the Eastern Cape Local Government and Traditional Affairs Department. This report is an effect to ensure that Kou-kamma Local Municipality complies with the Waste Act and the Generally Recognised Accounting Practice (GRAP) 17 and 19 requirements and standards. GRAP 17 requires the cost of rehabilitation of landfill sites to be capitalised as property, plant and equipment and within GRAP 17 the interest of this report is in the depreciation rate of the sites. GRAP 19 requires for costs of rehabilitation of landfill sites to be provided for.

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. BASIS OF PRESENTATION (Continued)

New Standards and Interpretations

1. 6 Standards and interpretations effective and adopted in the current year

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition. The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense. The effective date of the interpretation is for years beginning on or after 01 April 2013.

GRAP 1 (as revised 2010): Presentation of Financial Statements

Additional disclosure requirements have been added regarding the following areas: assets and liabilities included in disposal groups classified as held for sale, biological assets, deferred tax assets (liabilities), tax expense, post-tax surplus or deficit and the use of transitions provision in the accounting policy. All amendments to be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes. Paragraphs added to Changes in accounting policies A change from one basis of accounting to another basis of accounting is a change in accounting policy. A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies: The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC. Commentary on the selection of benchmark and alternative accounting policies has been deleted. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 9 (as revised 2010): Revenue from Exchange Transactions

The revision resulted in various terminology and definition changes. Dividends or similar distributions declared from pre-acquisition surpluses: Paragraph .36 has been amended to encompass not only securities, but any contributed capital. Various amendments, deletions and additions to examples included in the appendix. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 12 (as revised 2010): Inventories

Cost formulas: Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.
Recognition as an expense: Where reference has been made to ‘net realisable value’, ‘current replacement cost’ has been added. Fair value measurement: The appendix on how to determine fair value has been deleted. All amendments to be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

1. BASIS OF PRESENTATION (Continued)

1. 6 Standards and interpretations effective and adopted in the current year (Continued)

GRAP 13 (as revised 2010): Leases

Paragraph .04 has been included to clarify that this Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights. Non-current Assets Held for Sale and Discontinued.

Operations:
Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard. Guidance on accounting for finance leases by lessors: The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance. Guidance on operating lease incentives and substance over legal form: The guidance included in the original text on substance over legal form has been deleted. Classification of leases on land and buildings elements: The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance. All amendments to be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

1. BASIS OF PRESENTATION (Continued)

1. 6 Standards and interpretations effective and adopted in the current year (Continued)

GRAP 16 (as revised 2010): Investment Property

Recognition of investment property: Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property. This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.

The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably. Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property. Disclosure: Entities are encouraged, rather than required, to disclose the fair value of investment property when this is materially different from the carrying amount. Amendments to be applied as follow: Paragraphs .10(e), .54, .59, .62 and .65 were amended, paragraphs .60 and .61 were added and paragraph .25 and .11 (d) of the original text (2004) was deleted by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. The related amendment to paragraph .05 in the Standard of GRAP on Property, Plant and Equipment is also applied earlier. Any other amendments to the Standards of GRAP shall be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 17 (as revised 2010): Property, Plant and Equipment

Scope: The recognition and measurement of exploration and evaluation assets have been added to the scope exclusions. Investment properties under construction have been removed from the scope.
Measurement at initial recognition: Paragraph .23 and .24 have been amended to clarify that the guidance applicable to determine fair value for revalued assets applies equally to the initial measurement of items of property, plant and equipment at fair value. Depreciable amount and depreciation period: An additional paragraph has been added to clarify that reviewing the useful life of an asset on an annual basis does not
require the entity to amend the previous estimate unless expectations differ from the previous estimate. Derecognition: The requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed. Paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the entity subsequently sells the assets, the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories. Disclosures: The required disclosures in paragraph .90 have been amended to encouraged disclosures. Added to the list of encourage disclosures is the fair value disclosure of assets where the cost model is used. The requirement to disclose the cost basis for revaluated assets was removed. Amendments to be applied as follow: Paragraphs .05, .23 and .24 were amended and paragraph .79 was added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. Any other amendments to the Standards of GRAP shall be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise: a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits. The standard states the recognition, measurement and disclosure requirements of: short-term employee benefits; all short-term employee benefits; short-term compensated absences; bonus, incentive and performance related payments; post-employment benefits: Defined contribution plans; other long-term employee benefits; an termination benefits. The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred. The effective date of the standard is for years beginning on or after 01 April 2013.

The adoption of these amendment is not expected to impact on the results of the municipality, but has resulted in more disclosures in the annual financial statements.

1. 7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued February 2011, effective date 15 April 2015
GRAP 20 Related Party Disclosures - issued June 2011
GRAP 32 Service concession arrangements grantor
GRAP 105 Transfers between entities under common control - issued November 2010, effective date 15 April 2015
GRAP 106 Transfers between entities not under common control - issued November 2010, effective date 15 April 2015
GRAP 107 Mergers - issued November 2010, effective date 15 April 2015

1. BASIS OF PRESENTATION (Continued)

1. 7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Continued)

All the other listed standards as listed above will only be effective when a date is announced by the Minister of Finance.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet effective, the municipality may elect to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

GRAP 18 - Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 32 Service concession arrangements grantor

The standard prescribes the accounting treatment for service concession arrangements by the grantor, a public sector entity. The effective date of the standard has not been determined yet.

No significant impact on the financial statements of the Municipality is expected.

GRAP 108 Statutory receivables

This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The effective date of the standard has not been determined yet.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This

GRAP 106 – Transfer of Function Between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

2. PROPERTY, PLANT AND EQUIPMENT

2. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, other than investment property, or for administrative purposes, and are expected to be used during more than one year.

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

2. 1 Initial Recognition (Continued)

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset at acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at cost less accumulated depreciation and impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

2. 3 Depreciation

Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

The following is an indication of the maximum expected useful life of the assets:

	Years		**Years**
Infrastructure		***Buildings***	*30*
Roads and Paving	30		
Electricity	20	***Other***	
Water	20	Specialist Vehicles	20
Landfill Sites	7 - 50	Other Vehicles	7
		Office Equipment	10
Community		Furniture and Fittings	10
Recreational Facilities	30	Specialised Plant and Equipment	15
Security	5	Other Plant and Equipment	5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

2. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

2. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2. 6 Land & Buildings

Undeveloped Land is not depreciated as it is deemed to have an indefinite useful life, buildings and other structures situated on developed land are depreciated less their residual value over their useful life.

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

2. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

2. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2013, and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3.

3. INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3. 1 Initial Recognition

Identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

3. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

3. INTANGIBLE ASSETS (Continued)

3. 2 Subsequent Measurement, Amortisation and Impairment (Continued)

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	Years
Software	2-10
Website	6

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

3. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. INVESTMENT PROPERTY

4. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment property is recognized as an asset where, and only where:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

4. INVESTMENT PROPERTY (Continued)

4. 1 Initial Recognition (Continued)

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

4. 2 Subsequent Measurement

4. 2. 1 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 30 - 60 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The residual value of the investment properties been assumed to be zero.
The land is not depreciated as it has an indefinite useful life.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

5. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

5. 1. Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
▪ to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

5. IMPAIRMENT OF ASSETS (Continued)

5. 1. Impairment of Cash generating assets (Continued)

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

5. 2. Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset’s remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement . The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

6. 1 Financial Assets - Classification

A financial asset is any asset that is cash or a contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial assets at amortised cost

Financial assets at fair value

Financial assets at cost

6. FINANCIAL INSTRUMENTS (Continued)

6. 1 Financial Assets - Classification (Continued)

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial Instruments at Amortised Cost
Bank Balances and Cash	Financial Instruments at Amortised Cost
Consumer Debtors	Financial Instruments at Amortised Cost
Other Debtors	Financial Instruments at Amortised Cost
Vat Receivable	Financial Instruments at Amortised Cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets.

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial liabilities measured at amortised cost
Other Creditors	Financial liabilities measured at amortised cost
Trade Creditors	Financial liabilities measured at amortised cost
Accruals	Financial liabilities measured at amortised cost
Consumer Deposits	Financial liabilities measured at amortised cost
Retention	Financial liabilities measured at amortised cost

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6. 3 Initial and Subsequent Measurement

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

6. 3 Initial and Subsequent Measurement

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate. Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due. Financial guarantee contract liabilities are initially measured at fair value. The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

6. 4 Impairment of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

6. FINANCIAL INSTRUMENTS (Continued)

6. 4 Impairment of Financial Assets (Continued)

Financial assets carried at amortised cost

Debtors encompasses long term debtors, consumer debtors and other debtors.

Initially Debtors are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Debtors within 12 months from the date of reporting are classified as current.

A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of debtors are assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

The amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. INVENTORIES

7. 1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7. INVENTORIES (Continued)

7. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

Water inventory

Water is regarded as inventory when the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position. The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

8. REVENUE RECOGNITION

8. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

8. 1 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered , the value of which approximates the consideration received or receivable.

8. 1. 1 Service Charges

Service charges relating to sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

8. REVENUE RECOGNITION (Continued)

8. 1. 1 Service Charges (Continued)

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

8. 1. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

8. 1. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

8. 1. 4 Tariff Charges

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

8. 1. 5 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been met:
- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

8. 1. 6 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

8. 2 Revenue from Non-exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

8. 2. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

8. 2. 2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

8. REVENUE RECOGNITION (Continued)

8. 2 Revenue from Non-exchange Transactions (Continued)

8. 2. 3 Revenue from conditional grants, building and funding

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

8. 2. 4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

9. PROVISIONS

Provisions are recognised when:

- The municipality has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

10. EMPLOYEE BENEFITS

10. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

10. EMPLOYEE BENEFITS

10. 1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

10. 2 Post employment benefits

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

10. 2. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in expenditure, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

10. 2. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

11. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases other than finance leases are classified as operating leases.

11. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured at lower of fair value of the asset or the PV of the minimum lease payments, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, Plant and Equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed in the Statement of Financial Performance when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

11. LEASES

11. 1 The Municipality as Lessee

Operating leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

11. 2 The Municipality as Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

11. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

12. BORROWING COSTS

Borrowing costs are expensed as they occur.

13 GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

14 VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991. Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of changes in accounting policies where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review where applicable.

19. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Related parties include key management personnel such as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager and close family members of key management personnel.

20. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

21. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

22. COMPARATIVE INFORMATION

22. 1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 24, been provided to these financial statements and forms part of the Annual Financial Statements.

22. 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified, unless a standard of GRAP does not require the restatements of comparative information. The nature and reasons for the reclassification are disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

22 COMPARATIVE INFORMATION

22. 3 Budget Information

The annual budget figures for the period 1 July 2013 to 30 June 2014 have been prepared and presented in accordance with the GRAP standard under the accrual basis of accounting for budgets approved by Council by nature classification, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

24. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

25. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

	2015	2014
	R	R

1. GENERAL INFORMATION

Kou-Kamma Municipality (the municipality) is a local government institution in the Eastern Cape, and is one of nine local municipalities under the jurisdiction of the Cacadu District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2015 R	2014 R
Consumable Store	277 162	726 142
Water - at cost	51 206	36 285
Total Inventories	**328 368**	**762 427**

All inventory at year end is carried at cost.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2015 R	2014 R
Service Debtors:	42 442 778	31 081 048
Electricity	232 720	184 585
Refuse	7 533 961	5 695 477
Sewerage	16 392 367	12 008 384
Water	18 283 730	13 192 601
Other Receivables	135 285	133 088
Housing	134 873	120 166
Loan instalments	412	12 923
Less: Provision for Impairment	(34 654 989)	(25 722 264)
Electricity	(195 796)	(175 356)
Water	(14 741 092)	(10 650 981)
Sewerage	(13 451 318)	(10 105 303)
Refuse	(6 184 510)	(4 690 776)
Housing rental	(49 379)	(80 168)
Loan instalments	(32 893)	(19 680)
Total Receivables from Exchange Transactions	**7 923 074**	**5 491 872**

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and debtors as well as the current payment ratio's of the municipality's debtors.

3.1 Ageing of Receivables from Exchange Transactions

	2015 R	2014 R
Electricity		
Current (0 -30 days)	1 431	4 104
31 - 60 days	13 942	8 272
61 - 90 days	2 968	3 038
91 - 120 days	-	3 560
+120 days	195 769	165 611
	18 611	-
Allowance for debt impairment	(195 796)	(175 356)
	36 924	**9 229**
Water		
Current (0 -30 days)	208 867	416 211
31 - 60 days	636 621	1 079 519
61 - 90 days	508 539	662 230
91 - 120 days	698 452	346 469
+120 days	15 115 769	10 688 173
	1 115 483	-
Allowance for debt impairment	(14 741 092)	(10 650 981)
	3 542 638	**2 541 620**
Sewerage		
Current (0 -30 days)	287 642	315 354
31 - 60 days	405 839	586 660
61 - 90 days	397 521	285 718
91 - 120 days	336 444	282 686
+120 days	13 654 980	10 537 966
	1 309 940	-
Allowance for debt impairment	(13 451 318)	(10 105 303)
	2 941 049	**1 903 081**

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

3.1 Ageing of Receivables from Exchange Transactions (Continued)

	2015 R	2014 R
Refuse		
Current (0 -30 days)	110 345	163 931
31 - 60 days	187 129	292 937
61 - 90 days	183 047	140 098
91 - 120 days	177 826	137 575
+120 days	6 399 571	4 960 937
	476 044	-
Allowance for debt impairment	(6 184 510)	(4 690 776)
	1 349 450	**1 004 701**
Housing rental		
Current (0 -30 days)	(37 453)	10 141
31 - 60 days	9 055	14 228
61 - 90 days	21 819	378
91 - 120 days	5 254	369
+120 days	133 281	95 049
	2 917	-
Allowance for debt impairment	(49 379)	(80 168)
	85 494	**39 998**
Loan instalments		
Current (0 -30 days)	-	761
31 - 60 days	-	1 521
61 - 90 days	-	761
91 - 120 days	-	761
+120 days	384	9 120
	28	
Allowance for debt impairment	(32 893)	(19 680)
	(32 481)	**(6 757)**

	2015 R	2014 R
3.2 Reconciliation of the Provision for Impairment		
Balance at beginning of year	(26 894 440)	(19 624 546)
(Allowance raised) reversal of allowance	(19 643 025)	(11 377 262)
Amounts written off as uncollectable	11 882 888	4 107 368
Balance at end of year	**(34 654 577)**	**(26 894 440)**

Receivables from exchange transactions past due but not impaired

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. Individually significant debtors have been considered for impairment, in terms of GRAP 104, however none were impaired. At 30 June 2015, R 2 937 311 (2014: R 3 478 798) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2015	2014
1 month past due	570 832	1 159 049
2 months past due	1 252 585	1 325 331
3 months past due	1 113 894	994 419
	2 937 311	**3 478 798**

No debtors were pledged as security.

3.3 Ageing of impaired Receivables from Exchange Transactions

As at 30 June 2015	**Current**	**Past Due**			**Total**
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	570 832	1 252 585	1 113 894	36 717 729.66	39 655 041
Less: Provision for Impairment	-	-	-	(34 654 577)	(34 654 577)
Net Balances	**570 832**	**1 252 585**	**1 113 894**	**2 063 153**	**5 000 464**

As at 30 June 2014	**Current**	**Past Due**			**Total**
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	

				2015	2014
				R	R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

3.3 Ageing of impaired Receivables from Exchange Transactions (Continued)

All Receivables:					
Gross Balances	910 501	1 983 138	1 092 222	27 228 275	31 214 136
Less: Provision for Impairment				(26 894 440)	(26 894 440)
Net Balances	**910 501**	**1 983 138**	**1 092 222**	**333 835**	**4 319 696**

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2015	**Gross Balances R**	**Provision for Impairment R**	**Net Balances R**
Assessment Rates Debtors	19 444 868	(7 814 750)	11 630 117
Other receivables from non exchange transactions	2 762 858	-	2 762 858
Total Receivables from Non-exchange Transactions	**22 207 726**	**(7 814 750)**	**14 392 976**

As at 30 June 2014	**Gross Balances R**	**Provision for Impairment R**	**Net Balances R**
Assessment Rates Debtors	17 007 765	(8 213 773)	8 793 992
Other receivables from non exchange transactions	185 544	-	185 544
Total Receivables from Non-exchange Transactions	**17 193 309**	**(8 213 773)**	**8 979 536**

	2015	2014
	R	R

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2015	**Current**	**Past Due**			**Total**
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	130 974	311 958	255 909	18 746 026	19 444 868
Less: Provision for Impairment				(7 814 750)	(7 814 750)
Net Balances	**130 974**	**311 958**	**255 909**	**10 931 276**	**11 630 117**
Other receivables from non exchange transactions:					
Gross Balances	2 762 858	-	-	-	2 762 858
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**2 762 858**	**-**	**-**	**-**	**2 762 858**

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

4.1 Ageing of Receivables from Non-exchange Transactions (Continued)

As at 30 June 2014	**Current**	**Past Due**			**Total**
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	388 780	546 382	233 109	15 839 494	17 007 765
Less: Provision for Impairment				(8 213 773)	(8 213 773)
Net Balances	**388 780**	**546 382**	**233 109**	**7 625 721**	**8 793 992**

				2015 R	2014 R
Other receivables from non exchange transactions:					
Gross Balances	185 554	-	-	-	185 554
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**185 554**	**-**	**-**	**-**	**185 554**

	2015 R	2014 R
Other receivables from non exchange transactions:		
Current (0 -30 days)	2 762 858	185 554
31 - 60 days		
61 - 90 days		
91 - 120 days		
+120 days		
Allowance for debt impairment	-	-
	2 762 858	**185 554**
Rates		
Current (0 -30 days)	130 974	388 780
31 - 60 days	311 958	546 382
61 - 90 days	255 909	233 109
91 - 120 days	162 103	223 000
+120 days	16 567 743	15 616 494
Interest	2 016 180	-
Allowance for debt impairment	(7 814 750)	(8 213 773)
	11 630 117	**8 793 992**

4.2 Reconciliation of Provision for Impairment

	2015 R	2014 R
Balance at beginning of year	8 213 773	8 095 710
Impairment Losses recognised	-	118 063
Impairment Losses reversed	(399 023)	-
Balance at end of year	**7 814 750**	**8 213 773**

	2015 R	2014 R

The Provision for Impairment on debtors exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.

Furthermore, no Provision for Impairment was calculated on Receivables from Non-Exchange Transactions other than Assessment Rates Debtors as the management is of the opinion that all other Receivables are recoverable within normal credit terms.

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. Individually significant debtors have been considered for impairment, in terms of GRAP 104, however none were impaired. At 30 June 2015, R 2 731 310 (2014: R 984 376) were past due but not impaired.

	2015 R	2014 R
1 month past due	2 163 443	493 751
2 months past due	311 958	234 118
3 months past due	255 909	256 507
	2 731 310	**984 376**

5. VAT RECEIVABLE

	2015 R	2014 R
Vat Receivable	**780 154**	**2 290 372**

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

6. CASH AND CASH EQUIVALENTS

	2015 R	2014 R
Current investment deposits	-	10 719
Bank Accounts	163 784	8 277 249
Total bank balances	**163 784**	**8 287 968**
Cash on hand	310	310
Total Bank, Cash and Cash Equivalents	**164 094**	**8 288 278**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

	2015	2014
	R	R

6. CASH AND CASH EQUIVALENTS (Continued)

The total bank balances at year end are all cash accounts and the money is available immediately on request. Therefore there are no call deposit accounts that need to be separately disclosed.

The Municipality has the following bank and investment deposit accounts:

Restrictions relate to unspent conditional grants, only if the condition of the grant is met can transfers from cash be done. Refer to note 13.

Account number / description	**Bank statement balances**		**Cash book balances**	
	30-Jun-15	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**
Bank accounts				
ABSA Bank Ltd - Current Account (Primary account) - 405 280 5864	34 094	2 435 015	128 253	2 539 296
ABSA Bank Ltd - Cheque Account - 19 4015 8695	304	132 237	304	132 237
ABSA Bank Ltd - Cheque Account - 40 5774 2120	696	1 985 982	696	1 985 982
ABSA Bank Ltd - Call Account - 90 7906 4583	18 355	172 923	26 953	183 472
ABSA Bank Ltd - Cheque Account - 19 4015 8687	756	3 425 941	756	3 425 941
ABSA Bank Ltd - Savings Account - 91 0220 9606	6 822	10 321	6 822	10 321
ABSA Bank Ltd - Savings Account - 91 9914 8641	1 456	10 719	1 456	10 719
Total	**62 484**	**8 173 138**	**165 240**	**8 287 968**

6.1 Cash on hand

	2015	2014
Cash Floats and Advances	310	310
Total Cash on hand in Cash Floats, Advances and Equivalents	**310**	**310**

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

7. OPERATING LEASE ASSET

Operating leases are recognised on the straight line basis as per requirement of GRAP 13. In respect of non-cancellable leases the following asset has been recognised:

	2015	2014
	R	R
Balance at the beginning of the year	63 494	45 311
Operating lease revenue recorded	11 544	18 183
Operating lease revenue affected	-	-
Balance at the end of the year	**75 038**	**63 494**

8. PROPERTY, PLANT AND EQUIPMENT

	2015			2014		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	4 903 499	(53 430)	4 850 069	4 903 499	(53 430)	4 850 069
Buildings	6 152 145	(2 344 202)	3 807 943	6 152 145	(2 085 919)	4 066 226
Other property, plant and equipment	12 622 173	(9 053 553)	11 900 150	22 691 207	(9 093 594)	13 597 613
Infrastructure	358 468 976	(120 800 107)	237 668 869	353 963 204	(104 373 654)	249 589 549
Community	25 695 389	(9 059 370)	16 636 019	21 512 865	(8 314 636)	13 198 229
Infrastructure - WIP	26 534 678		26 534 678	6 949 722	-	6 949 722
Total	**434 376 860**	**(141 310 662)**	**301 397 728**	**416 172 641**	**(123 921 233)**	**292 251 408**

Reconciliation of property, plant and equipment - 2015 -

	Opening	Additions	Disposals	Transfers	Depreciation	Impairment	Total
Land	4 850 069	-					4 850 069
Buildings	4 066 226	-			(258 283)		3 807 943
Other property, plant and equipment	13 597 613	7 395 781		(8 425 949)	(667 295)		11 900 150
Infrastructure	249 589 550	4 310 389			(16 231 070)		237 668 869
Community	13 198 230	4 182 523			(744 734)		16 636 019
Infrastructure - WIP	6 949 722	20 743 964	(9 584 957)	8 425 949			26 534 678
	292 251 409	**36 632 658**	**(9 584 957)**	**-**	**(17 901 382)**	**-**	**301 397 728**

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Reconciliation of property, plant and equipment - 2014

	Opening	Additions	Disposals	Transfers	Depreciation	Impairment	Total
Land	4 850 069	-		-	-	-	4 850 069
Buildings	4 316 579	-	-	-	(250 353)	-	4 066 226
Other property, plant and equipment	7 009 968	8 420 273	(341 184)	-	(1 491 444)	-	13 597 613
Infrastructure	260 782 292	5 098 038	(36 953)	-	(16 253 827)	-	249 589 550
Community	10 899 660	2 898 489	-	-	(599 919)	-	13 198 230
Infrastructure - WIP	2 491 635	4 458 087	-	-	-	-	6 949 722
	290 350 203	**20 874 887**	**(378 137)**	**-**	**(18 595 544)**	**-**	**292 251 409**

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

None of the above assets are held for security.

Details of properties

The municipality did not pledge any of its assets as security. No restrictions apply to any of the Property, Plant and Equipment of the municipality.

No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. INTANGIBLE ASSETS

	2015				2014		
	Cost	Accumulated depreciation and impairment	Additions	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Computer software	1 590 562	(1 112 016)	214 065	692 611	1 590 560	(852 839)	737 721

Reconciliation of intangible assets - 2015	-	Opening	Additions	Disposals Amortisation	Total
Computer software		737 721	214 065	(259 175)	692 611

Reconciliation of intangible assets - 2014	Opening	Additions	Amortisation	Total
Computer software	668 852	352 570	(283 701)	737 721

Pledged as security

None of the intangible assets are pledged as security.

10. INVESTMENT PROPERTY

	2015				2014		
	Cost	Disposal	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Investment property - Land	25 094 100	(46 000)	-	25 048 100	25 101 100	(7 000)	25 094 100
Investment property - Buildings	869 937	-	(747 379)	122 558	869 937	(587 529)	282 408
	25 964 037	(46 000)	(747 379)	25 170 658	25 971 037	(594 529)	25 376 508

Reconciliation of investment property - 2015

	Opening	Disposal	Depreciation	Total
Investment property - Land	25 094 100	(46 000)	-	25 048 100
Investment property - Buildings	282 408		(159 850)	122 558
	25 376 508	(46 000)	(159 850)	25 170 658

Reconciliation of investment property - 2014

	Opening	Disposal	Depreciation	Total
Investment property - Land	25 101 100	(7 000)	-	25 094 100
Investment property - Buildings	310 359	-	(27 951)	282 408
	25 411 459	(7 000)	(27 951)	25 376 508

Details of property

No investment property has been given as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

	2 015 R	2 014 R

11. CONSUMER DEPOSITS

	2 015	2 014
Electricity and Water	104 700	104 700
Total Consumer Deposits	**104 700**	**104 700**

12. PROVISIONS

	2 015	2 014
Balance at beginning of Year	984 531	1 018 304
Provision for performance bonus	332 324	311 195
Performance bonus provision utilised	-	(344 968)
Provision for workmens compensation		
Total Provisions	**1 316 855**	**984 531**

Provision for workmen's compensation has not been paid for the 2011/2012 financial year. A provision has been raised for the amount outstanding.

No invoice has yet been received from the 2011/2012 financial year. The amount of R 673 336 has been estimated based on an invoice received for the 2012/2013 financial year. The amount will be during the 2015/16 financial year

13. PAYABLES FROM EXCHANGE TRANSACTIONS

	2 015	2 014
Trade payables	9 516 551	9 499 212
Other payables	18 009 256	13 932 628
SALGA	2 002 000	1 552 000
Accrued Expenses	4 230 979	3 020 338
Total Payables	**33 758 786**	**28 004 178**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:

	2 015	2 014
Provincial: IDP	-	4 697
Provincial: LED	132 028	237 824
Sarah Baartman District Municipality: Flood relief	-	-
DSRAC Library	481 171	207 207
Housing rectification	1 812 688	1 240 922
Sarah Baartman District Municipality: Environmental Health Subsidy	236 644	
National - Department of Water Affairs Grant	3 140 257	762 333
Disaster Relief Grant	(0)	2 127 346
Total Unspent Conditional Grants	**5 802 788**	**4 580 329**

Grants spent during the financial year is in accordance with the conditions thereof.

	2 015 R	2 014 R
15. EMPLOYEE BENEFIT LIABILITIES		
Non current liability		
Post-retirement Health Care Benefits Liability	1 575 655	1 070 620
Provision for Long Service Awards	1 231 040	1 023 430
	2 806 695	**2 094 050**
Current portion of long term liability		
Post-retirement Health Care Benefits Liability	115 656	109 530
Provision for Long Service Awards	156 010	128 824
	271 666	**238 354**

15. 1 Post-retirement Health Care Benefits Liability

	2 015 R	2 014 R
Balance at beginning of Year	1 180 150	903 192
Net actuarial (losses)/profits	523 052	270 236
Increase due to Discounting	61 129	67 630
Benefits paid	(73 020)	(60 908)
Total Post-retirement Health Care Benefits Liability	**1 691 311**	**1 180 150**
Transfer to Current Provisions	(115 656)	(109 530)
Non-current portion of post-retirement Health Care Benefits Liability	**1 575 655**	**1 070 620**

The assumptions used are based on statistics and market data as at 30 June 2015. The following assumptions, in line with GRAP 25, have been used. Assumptions used at the reporting date:

	2 015	2 014
Discount rates used	8.17%	8.14%
General inflation	5.97%	6.14%
Medical inflation	7.47%	7.64%
Real rate (GAP)	0.65%	0.46%

Discount rate assumption:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 8.17% per annum has been used. The corresponding index-linked yield at this term is 1.60%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2015.

Health care cost inflation assumption

This assumption is required to reflect the estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective. A health care cost inflation rate of 7.47% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.97%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.65%.

Future inflation assumption:

The expected inflation assumption of 5.97% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.60%) and those of fixed interest bonds (8.17%). The next contribution increase was assumed to occur with effect from 1 January 2016.

	2 015	2 014
	R	R

15. EMPLOYEE BENEFIT LIABILITIES (Continued)

15.1 Post-retirement Health Care Benefits Liability (Continued)

Net discount rate:

Even though the actual values used for the discount rate and the expected increase in medical subsidies are important, the "gap" between the two assumptions are more important. This "gap" is referred to as the net discount rate. The net discount rate has increased from 0.46% p.a. to 0.56% p.a. (Derived from a discount rate of 8.17% and the expected medical inflation rate of 7.47%)

Post-retirement mortality:

The post-retirement mortality assumptions are based on the PA(90) mortality tables rated down by 1 year. This assumption is in line with the previous assumptions used.

Family profile:

It has been assumed that husbands will be 4 years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future events. The actual cost of the subsidy will however be dependent on the actual experience. The tables below illustrate the likely impact certain changes to the underlying assumptions would have on the results.

Real rate of return	Current Assumption 0.46%	0.5% decrease in gap (0.04%)	0.5% increase in gap (0.96%)
Liability	1 691 311	1 606 745	1 775 876
Cost / (Saving)	-	84 566	(84 566)

Mortality	Current Assumption PA(90)-1	PA(90)	PA(90)-2
Liability	1 691 311	1 613 003	1 769 618
Cost / (Saving)	-	78 308	(78 308)

The amounts recognised in the Statement of Financial Position are as follows:

	2 015	2 014
Balance at the beginning of the year	1 180 150	903 192
Net actuarial (losses)/profits	523 052	270 236
Interest cost	61 129	67 630
Benefits paid	(73 020)	(60 908)
Total Recognised Benefit Liability	**1 691 311**	**1 180 150**

The amounts recognised in the Statement of Financial Performance are as follows:

	2 015	2 014
Current service cost	-	-
Interest cost	61 129	67 630
Actuarial losses / (gains)	523 052	270 236
Total Post-retirement Benefit included in Employee Related Costs (Note 23)	**584 181**	**337 866**

	2 015	2 014
	R	R

15. EMPLOYEE BENEFIT LIABILITIES (Continued)

The history of experienced adjustments is as follows:

	2015	2014	2013	2012	2011
	R	R	R	R	R
Obligation	1 691 311	1 180 150	903 912	1 110 194	610 131
Deficit	**1 691 311**	**1 180 150**	**903 912**	**1 110 194**	**610 131**

15.2 Post-retirement Long Service Awards liability

	2 015	2 014
Balance at beginning of Year	1 152 254	1 104 871
Actuarial Gain	116 070	(4 352)
Increase due to Discounting	85 074	74 918
Benefits paid	(128 824)	(199 536)
Current service cost	162 476	176 353
Balance at end of Year	**1 387 050**	**1 152 254**
Transfer to Current Provisions	(156 010)	(128 824)
Total Post-retirement Long Service Awards liability	**1 231 040**	**1 023 430**

The assumptions used are based on statistics and market data as at 30 June 2015. The following valuation assumptions are consistent with the requirements of GRAP 25.

	2 015	2 014
Discount rate	7.89%	7.81%
General inflation	6.04%	6.06%
Salary inflation	7.04%	7.06%
Real rate (Gap)	0.79%	0.70%

Discount rate Assumption

The discount rate required by GRAP 25 should be set with reference to a high quality corporate bond. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used. A discount rate of 7.89% per annum has been used. this is derived by using a liability - weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability weighted index-linked yield is 1.27%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2015.

15.2 Post-retirement Long Service Awards liability (Continued)

Future Inflation Assumption

This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employees salary at the date of award. General salary Inflation in most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation. Thus a general salary inflation of 7.04% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. The assumption reflects a net discount rate of 0.79%. It has been assumed that the next salary increase will take place on 1 July 2016.

	2 015	2 014
	R	R

15. EMPLOYEE BENEFIT LIABILITIES (Continued)

Net Discount Rate

Even though the actual values used for the discount rate and the expected increase in salaries are important, the “gap” between the two assumptions are more important. This “gap” is referred to as the net discount rate. The net discount rate is 0.79% per annum. (Derived from a discount rate of 7.89% and the expected salary inflation rate of 7.04%).

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future experience. The actual cost of the subsidy will however be dependent on the actual experience.

Discount rate	Current Assumption 7,89%	Decrease of 0.5%: 7.39%	Increase of 0.5%: 8.39%
Liability	1 387 050	1 317 698	1 456 403
Cost / (Saving)	-	69 353	(69 353)

Retirement	Current Assumption Retire at average age 60	Retire at average age	Retire at average age 57
Liability	1 387 050	1 289 957	1 484 144
Cost / (Saving)	-	97 093	(97 094)

The amounts recognised in the Statement of Financial Position are as follows:

	2 015	2 014
Balance at the beginning of the year	1 152 254	1 104 871
Current service costs	162 476	176 353
Interest cost	85 074	74 918
Benefits paid	(128 824)	(199 536)
Actuarial (losses) / gains	116 070	(4 352)
Total Recognised Benefit Liability	**1 387 050**	**1 152 254**

The amounts recognised in the Statement of Financial Performance are as follows:

	2 015	2 014
Current service cost	162 476	176 353
Interest cost	85 074	74 918
Actuarial (losses) / gains	116 070	(4 352)
Total Long service award included in Employee Related Costs (Note 23)	**363 620**	**246 919**

The history of experienced adjustments is as follows:

	2015	**2014**	**2013**	**2 012**	**2 011**
	R	**R**	**R**	**R**	**R**
Obligation	1 387 050	1 152 254	1 104 871	1 076 680	706 242
Deficit	**1 387 050**	**1 152 254**	**1 104 871**	**1 076 680**	**706 242**

	2 015	2 014
	R	R

15. EMPLOYEE BENEFIT LIABILITIES (Continued)

The municipality operates an unfunded defined benefit plan for all it's employees. Under the plan a long-service award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long-service benefits are payable to employees.

Actuarial valuations are performed annually. The most recent valuations of the present value of the defined benefit obligation was carried out at 30 June 2015 by C Weiss of Arch Actuarial Consulting, a member of the Actuarial Society of South Africa.

The defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Expenses recognised in the statement of financial performance.

16. NON-CURRENT PROVISIONS

Reconciliation of non-current provisions

Environmental rehabilitation

	2 015 R	2 014 R
Opening Balance	1 167 051	1 117 227
Increase in provision due to discounting	51 989	49 824
Expenditure incurred	-	-
Total Non-Current Provision	**1 219 040**	**1 167 051**

Assumptions for landfill site provision

The most critical assumptions for estimating the life expectancy and rehabilitation costs of a landfill are:

- Available permitted airspace (typically expressed in cubic metres (m3). The sites will ultimately be used from one side of the fence to the other along the sites' perimeter. However, the final land use has not been determined for all these sites which would indicate the height that is useful for the sites hence the report assumes that, for the sake of calculations, the height of the sites will be between 3 and 5 meters from the lowest level reached by the waste.

- Airspace utilization factor commonly referred to as the in-place waste density (typically expressed as tons of waste placed per cubic meter of airspace consumed (tons/m3). The average density of the waste is between 0, 75 T/m3 to 1, 20 T/m3, depending on waste type and compaction efficiency, as prescribed by DWAF Minimum Requirements for Waste Disposal by Landfill (Second Edition, 1998). In this report it has been assumed that it is 0.75T/m.

- Waste acceptance rate (typically expressed in tons per year (tpy). Daily deposition of waste is about 10 Tons/per day (estimates given by municipal staff and there were no proper records kept).

- The sites have been in existence for the following periods:

Kareedouw	24
Joubertina	54
Krakeelrivier	25
Louterwater	48
Coldstream	42
Woodlands	33
Clarkson	12

- the methodology prescribed by DWAF assumes that landfilling is done instead of waste dumping.

	2 015 R	2 014 R
17 ACCUMULATED SURPLUSES	**304 083 863**	**307 068 424**

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

	2 015	2 014
	R	R

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

The **Self-insurance Reserve** is a reserve to fund future insurance losses that will not be recouped from external insurers.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

	2 015 R	2 014 R

17 PROPERTY RATES

	2 015	2 014
Rates received		
Residential	10 185 359	7 945 725
Commercial	2 355 844	3 303 229
Agricultural	2 865 963	1 967 748
Medical	8 631	8 142
Schools	71 840	60 557
Less: Income forgone		
	15 487 638	**13 285 401**
Valuations		
Residential	1 055 056 750	1 055 056 750
Commercial	298 668 915	298 668 915
State	242 931 390	242 931 390
Agriculture	2 088 128 800	2 088 128 800
Exempted properties	102 060 850	102 060 850
	3 786 846 705	**3 786 846 705**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. A 6.0 per cent increase in tariffs has been applied.

A general rate of 0.6361c is applied to property valuations to determine assessment rates. Rebates of 20% are granted to state property owners.

Rates are levied on an annual basis, with the option of paying the rates on a monthly basis.

18. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED

	2 015	2 014
National Equitable Share	33 884 000	31 313 000
Financial Management Grant (FMG)	1 800 000	1 650 000
EPWP	1 000 000	1 000 000
Sarah Baartman District Municipality: Environmental Health Subsidy	649 989	-
PMU- Expenditure Accounted for	336 411	204 094
Sarah Baartman District Municipality	658 036	756 071
MIG Grant	16 532 937	21 959 779
Flood Relief Cacadu	706 472	1 946 841
Local Government: Cacadu District Municipality	1 911 312	1 172 100
Provincial: IDP	4 697	116 063
Municipal Systems Improvement Grant (MSIG)	934 000	890 000
Provincial: Department of Housing Grant	7 646 124	28 325 828
Provincial: LED	105 796	94 784
National: DWAF	7 804 554	-
Disaster Relief Grant	7 753 346	6 311 654
Total Government Grants and Subsidies	**81 727 673**	**95 740 214**

18. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (Continued)

National: Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy based on monthly billing, towards the consumer account, which is determined annually by council. All residential households receive 6kl water and some poor areas 50kWh electricity free every month.

	2 015 R	2 014 R
Financial Management Grant (FMG)		
Balance unspent at beginning of year		-
Current year receipts	1 800 000	1 650 000
Conditions met - transferred to Revenue	(1 800 000)	(1 650 000)
Balance at the end of the year	**-**	**-**

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

	2 015 R	2 014 R
Local Government: Cacadu District Municipality		
Balance unspent at beginning of year	(77 047)	-
Current year receipts	1 739 254	1 095 053
Transferred to Revenue	(1 890 662)	(1 172 100)
Other Adjustments/Refunds	(20 650)	-
	-	-
Balance at the end of the year	(249 105)	(77 047)

Grant purpose: To provide funding to support the strategic planning and IDP functions within the municipality.

	2 015 R	2 014 R
Municipal System Improvement Grant (MSIG)		
Balance unspent at beginning of year	-	-
Current year receipts	934 000	890 000
Conditions met - transferred to Revenue	(934 000)	(890 000)
Other Adjustments		-
Transferred to Receivables (see Note 4)	**-**	**-**

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

	2 015 R	2 014 R
Provincial: IDP		
Balance unspent at beginning of year	4 697	120 760
Transferred to Revenue	(4 697)	(116 063)
Balance at the end of the year	**-**	**4 697**

Grant purpose: To provide funding to support the strategic planning and IDP functions within the municipality.

	2 015 R	2 014 R
Provincial: LED		
Balance unspent at beginning of year	237 824	103 333
Current year receipts	-	229 275
Transferred to Revenue	(105 796)	(94 784)
Balance at the end of the year	**132 028**	**237 824**

18. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (Continued)

Grant purpose: To provide funding for the employment of a LED assistant to assist with LED programmes within the municipality.

	2 015 R	2 014 R
Flood relief C: Sarah Baartman District municipality		
Balance unspent at beginning of year	-	261 713
Current year receipts	685 822	1 685 128
Transferred to Revenue	(685 822)	(1 946 841)
Balance at the end of the year	-	**-**

Grant purpose: The purpose of the grant was for rectification and repairs to infrastructure as a result of flood damages in Kou-kamma district.

	2 015 R	2 014 R
PMU- Expenditure Accounted for		
Balance unspent at beginning of year	-	
Current year receipts recognised	336 411	204 094
Transferred to Revenue	(336 411)	(204 094)
Balance at the end of the year	**-**	**-**

Unspent balances included other creditors.

	2 015 R	2 014 R
Sarah Baartman District Municipality: Environmental Health Subsidy		
Balance unspent at beginning of year	-	
Current year receipts	886 633	-
Transferred to Revenue	(649 989)	-
Balance at the end of the year	**236 644**	**-**

Purpose of the subsidy : To provide environmental services on behalf of Sarah Baartman District Municipality.

	2 015 R	2 014 R
National - Department of Water Affairs Grant		
Balance unspent at beginning of year	762 333	-
Current year receipts	10 182 478	762 333
Transferred to Revenue	(7 804 554)	
Balance at the end of the year	**3 140 257**	**762 333**

Grant purpose: The purpose of the grant is for the purchasing of water quality monitoring equipment.

	2 015 R	2 014 R
DSRAC Library Subsidy		
Balance unspent at beginning of year	207 207	31 278
Current year receipts	932 000	932 000
Transferred to Revenue	(658 036)	(756 071)
Balance at the end of the year	**481 171**	**207 207**

Grant purpose: The purpose of the grant is a subsidy for library services in the Kou-kamma district. The subsidy covers salaries, operation and maintenance costs.

	2 015	2 014
	R	R

18. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (Continued)

MIG Grant

	2 015	2 014
Balance unspent at beginning of year	(10 718)	5 085 061
Current year receipts	14 765 000	16 864 000
Transferred to Revenue	(16 365 648)	(21 959 779)
Other Adjustments/Refunds	(167 289)	-
Balance at the end of the year	**(1 778 655)**	**(10 718)**

Grant purpose: The purpose of the MIG grant is to provide capital funding for the upgrading, maintenance of the municipal infrastructure in order to provide basic services to the community.

Housing rectification

	2 015	2 014
Balance unspent at beginning of year	1 240 922	(4 525 908)
Current year receipts	8 217 890	34 092 658
Transferred to Revenue	(7 646 124)	(28 325 828)
Balance at the end of the year	**1 812 688**	**1 240 922**

Grant purpose: To provide funding for the creation of sustainable RDP houses.

Disaster Relief Grant

	2 015	2 014
Balance unspent at beginning of year	2 127 346	-
Current year receipts	5 626 000	8 439 000
Transferred to Revenue	(7 753 346)	(6 311 654)
Balance at the end of the year	**-0**	**2 127 346**

Grant purpose: Disaster funding granted to the municipality for the repairs and rehabilitation of roads damaged due to flooding in the 2010 financial year.

EPWP

	2 015	2 014
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 000 000
Transferred to Revenue	(1 000 000)	(1 000 000)
Balance at the end of the year	**-**	**-**

Grant purpose: To provide employment to improve the quality of life of unemployed people through the appointment of them to do labour intensive projects for example: Road Maintenance and the maintenance of buildings; Maintenance of social infrastructure; Beautification and cleansing of the municipal areas.

	2 015 R	2 014 R

19. SERVICE CHARGES

	2 015 R	2 014 R
Sale of Electricity	2 131 760	1 773 333
Sale of Water	3 560 182	9 690 901
Refuse Removal	7 741 321	3 401 238
Sewerage and Sanitation Charges	9 735 681	7 112 246
Total Service Charges	**23 168 945**	**21 977 718**
Attributable to:		
Continuing Operations	23 168 945	21 977 718
	23 168 945	**21 977 718**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

20. RENTAL OF FACILITIES AND EQUIPMENT

	2 015 R	2 014 R
Operating Lease Rental Revenue:		
Premises	244 520	342 642
Halls	81 110	101 661
Houses	7 569	8 780
Facilities and equipment	**333 200**	**453 083**
Rental of equipment		-
Rental other	88	5 029
Total Rental of Facilities and Equipment	**333 288**	**458 112**
Attributable to:		
Continuing Operations	333 288	458 112
	333 288	**458 112**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

21. INTEREST EARNED

	2 015 R	2 014 R
External Investments:		
Bank Account	136 059	165 332
Short-term deposits	160 509	545 035
Total Interest Earned	**296 568**	**710 367**
Outstanding Debtors:		
Debtors	5 554 337	-
Total Interest Earned Outstanding Debtors	**5 554 337**	**-**

22. OTHER REVENUE

	2 015 R	2 014 R
Connection fees	55 285	63 457
Valuation certificates	3 076	7 440
Building plan fees	147 808	103 171
Land use application fees	978	7 584
Information fees	51 556	21 905
Cemetery fees	65 363	69 290
Recovery	-	36 816
Donations received	348 402	30 000
Sundry other fees	503 045	352 272
Refuse site	582	1 140
Total Other Revenue	**1 176 094**	**693 075**
Attributable to:		
Continuing Operations	1 176 094	693 075
	1 176 094	**693 075**

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 19 to 21, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

23. EMPLOYEE RELATED COSTS

	2 015 R	2 014 R
Employee Related Costs - Salaries and Wages	22 707 308	16 911 846
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5 230 759	4 527 316
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 895 603	2 175 586
Housing Benefits and Allowances	331 109	232 009
Overtime Payments	2 358 527	1 997 642
Performance Bonuses	1 402 538	1 382 914
Other employee related costs	260 054	675 153
WCA	-	-
Long-service awards	100 833	442 745
Total Employee Related Costs	**34 286 731**	**28 345 211**
Attributable to:		
Continuing Operations	34 286 731	28 345 211
	34 286 731	**28 345 211**

Included in Employee Related Costs is an amount of R 2 140 249.39 (2014: R 191 401) paid by the municipality to Defined Contribution Plans at rates specified by the rules of the plans. As at 30 June 2015, contributions due in respect of the 2014/2015 reporting period has been paid over to the plans.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager (Nkuhlu S)

	2 015 R	2 014 R
Annual Remuneration	760 004	692 741
Performance Bonus	-	89 172
Car and Other Allowances	298 056	298 056
Company Contributions to UIF, Medical and Pension Funds	1 785	1 785
Total	**1 059 845**	**1 081 754**

23. EMPLOYEE RELATED COSTS (Continued)

Remuneration of the Chief Financial Officer (Venter N)

	2 015 R	2 014 R
Annual Remuneration	712 392	658 539
Performance Bonus	-	55 506
Car and Other Allowances	134 400	134 400
Company Contributions to UIF, Medical and Pension Funds	1 785	1 785
Total	**848 577**	**850 230**

Remuneration of the Manager: Corporate Services (Zenzile M.)

	2 015 R	2 014 R
Annual Remuneration	660 780	606 939
Performance Bonus	-	55 506
Car and Other Allowances	186 000	186 000
Company Contributions to UIF, Medical and Pension Funds	1 785	1 785
Total	**848 565**	**850 230**

Remuneration of the Manager: Technical Services (Fenn L)

	2 015 R	2 014 R
Annual Remuneration	-	432 621
Performance Bonus	-	-
Car and Other Allowances	-	189 000
Company Contributions to UIF, Medical and Pension Funds	-	1 338
Total	**-**	**622 959**

Resigned in April 2014

Remuneration of the Manager: Technical Services (O Kwababana)

	2 015 R	2 014 R
Annual Remuneration	391 473	-
Performance Bonus	-	-
Car and Other Allowances	309 690	-
Company Contributions to UIF, Medical and Pension Funds	-	-
Total	**701 163**	**-**

Remuneration of the Manager: Strategic Services (Mpumlwana M)

	2 015 R	2 014 R
Annual Remuneration	556 380	502 539
Performance Bonus	-	55 506
Car and Other Allowances	290 400	290 400
Company Contributions to UIF, Medical and Pension Funds	1 785	1 785
Total	**848 565**	**850 230**

Remuneration of the Manager: Community Services (Sompani T)

	2 015 R	2 014 R
Annual Remuneration	607 704	553 863
Performance Bonus	-	55 506
Car and Other Allowances	239 076	239 076
Company Contributions to UIF, Medical and Pension Funds	1 785	1 785
Total	**848 565**	**850 230**